



Central
Records
Administration

UCC UPDATE

Summer 2001

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Internet home page
www.sos.state.mi.us/ucc/

UCC changes take effect July 1

Article 9 of the Uniform Commercial Code (UCC) establishes the rules for governing secured transactions. When a debtor pledges collateral on a loan, a UCC filing tells a secured party whether others have filed a claim against the same collateral. It is the law of every state and has been in effect in Michigan since 1964. Because Article 9 is so

important to this nation's commercial and consumer credit transactions, and because the nature of commerce is rapidly evolving, a study was commissioned in the early 1990's by the Permanent Editorial Board for the UCC to review the law and recommend changes.

As a result of the comprehensive review, a

revision of Article 9 was proposed and all states were encouraged to enact it by July 1, 2001. Michigan signed the revised Article 9 into law on Dec. 27, 2000. With enactment of Article 9 in Michigan, several important changes to the UCC law go into effect on July 1. This update explains the new changes for filing and search procedures.

New filing forms required July 1

Beginning July 1, the National Financing Statement UCC1 and UCC3 forms and addenda are the approved filing forms. Copies of the UCC1, UCC3, Correction Statement, and the recommended UCC11 Search Form will soon be available on the Department of State web site (www.michigan.gov/sos). The Correction Statement is a new form that is used to give notice of an inaccurate or wrongfully filed record. The Correction Statement does not change the information previously filed in the record.

New fee structure in place

Article 9 establishes new fees for UCC filings and searches as of July 1. Fees apply to all UCC1 and UCC3 filings, including terminations. The new fees are:

Filings

- Filing first two debtor names \$10 standard filing fee
- Additional debtor names \$10 for each additional debtor name
- Non-standard form \$7 (additional fee)
- Filing and attachments over 100 pages \$12 (additional fee)

Searches

- Each debtor name \$6 standard search fee
- Expedited search, per debtor name \$25 (additional fee)
- Listing over 100 records \$6 (additional fee)
- Filing copies, per page \$2 (additional fee)
- Request for Official Seal \$6 (additional fee)

Please note: When filing the National UCC1 and UCC3 forms, you must state the UCC account number in Box A.

Department of State to accept most filings

Under Revised Article 9, most filings will be filed with the Department of State's UCC Office. A few exceptions will be filed with the county. Filings for registered organizations will be made in the state of organization. The place of filing after July 1 is as follows:

County Register of Deeds Filings

- Real Property Mortgages
- Related Real Property Fixtures
- As-Extracted Mineral Collateral
- Timber Collateral

State UCC Filings

- All other financing statements

When filing, debtors must be identified as either individuals or organizations. Tax identification numbers and signatures are not required on filings. For organization debtors, the UCC1 must include the organization type, jurisdiction and corporate identification number. It is the filer's responsibility to use the debtor's complete legal name.

Tips for making your search trouble-free include using proper name

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The Department of State UCC Office maintains a searchable index for all UCC records. A search may be requested to determine whether there are any financing statements naming a particular debtor. A UCC search report consists of all initial financing statements and all related amendments associated with the debtor name requested.

Searches may be requested by regular mail, express mail or in-person. Only expedited account customers may request searches via facsimile at 517.322.5434, or by telephone at 517.322.1144. Searches conducted through electronic mail or data interchange, direct online and the web page are currently not available.

When requesting a debtor name search, follow these simple rules to ensure you get the information you need. It is also your responsibility to determine whether a particular financing statement naming a debtor is active. It is also your responsibility to determine whether a particular financing statement naming a debtor is presently effective. In addition, the Michigan Department of State UCC Office will not correct spelling or other errors. Debtor names will be searched exactly as they were provided.

The International Association of Corporation Administrators has determined that certain business endings are "noise" words. These noise words are ignored when conducting a search. For example, a search for "General Business Co.," would ignore the "Co." and would yield filings under "General Business Assoc.," "General Business Corp.,"

"General Business Inc.," and "General Business LCC." The following are classified as noise words and will be ignored when performing a search:

Agency
Association, Assn or Assoc
Attorneys at Law
Bank or National Bank
Business Trust
Charter or Chartered
Company or Co
Corporation or Corp
Credit Union or CU
Federal Saving Bank or FSB
General Partnership, Gen part or GP
Incorporated or Inc
Limited, Ltd or Ltee
Limited Liability Company, LC or LLC
Limited Liability Partnership or LLP
Limited Partnership or LP
Medical Doctors Professional
Association or MDPA
Medical Doctors Professional
Corporation or MDPC
National Association or NA
Partners or Partnership
Professional Association,
Prof Assn or PA
Professional Corporation,
Prof Corp or PC
Professional Limited Liability
Company or Professional Limited
Liability Co or PLLC
Railroad or RR
Real Estate Investment Trust or REIT
Registered Limited Liability
Partnership or RLLP
Savings Association or SA
Service Corporation or SC
Sole Proprietorship or SP or SPA
Trust or Trustee or As Trustee

“In lieu of” filing requirement guidelines include two options

You must file a UCC1 “in lieu of” filing with the Michigan Department of State UCC Office when you wish to continue a financing statement that was formerly filed at a county jurisdiction or in another state’s jurisdiction.

This is called an “in lieu of” (ILO) filing because you are filing an initial UCC1 form with the Department of State UCC Office in place of a UCC3 in the former jurisdiction. When filing an ILO there are several important points to remember:

- The secured party must complete the UCC1, making sure to include current information about debtors, secured parties and collateral. **In addition to the standard filing, an ILO financing statement requires special continuation wording in Box #4 of the UCC1 form.** Follow the instructions on the reverse side of the UCC1 and include either Option A or Option B:

Option A – Attaching copies of previously filed financing statements. It is preferred that you attach copies of previously filed financing statements. When attaching copies, include the following wording in Box #4:

- “This financing statement is filed ‘in lieu of’ a continuation statement. The financing statement(s) attached remain(s) effective.”

Attached copies of the original financing statement and any later action statements.

Option B – Listing filings. If previously filed financing statements are listed rather than attached as copies, include the following wording in Box #4:

- “This financing statement is file ‘in lieu of’ a continuation statement. The financing statement(s) listed below remain(s) effective.”

List all the information on the original financing statement and all later action statements, including the state; the office in which the financing statement was filed; type of filing (continuation, amendment, etc.); dates of filing; file numbers and collateral.

- An ILO filing may list multiple original financing statements and corresponding later action statements for a given debtor.
- The secured party should determine whether or not to file an ILO filing. **The Michigan Department of State UCC Office cannot give legal advice.**

UCC Contact information

Inquiries and filings by regular mail should be sent to:

Michigan Department of State
UCC Section
P.O. Box 30197
Lansing, MI 48909-7697

Express mail should be sent to:

Michigan Department of State
UCC Section
7064 Crouner Drive
Dimondale, MI 48821

Our web site address:

www.michigan.gov/sos

For a copy of the UCC law:

www.michigan.gov/documents/entireuccbook_18831_7.pdf

E-mail questions to:

UCCSection@.state.mi.us

Telephone: **517.322.1144**

Implementation of Revised Article 9 to continue

It is our goal to implement all provisions of Revised Article 9 as quickly as possible. However, due to the complexity of the law changes and the short time frame between passage of the law and its effective date, it will not be possible to fully implement Revised Article 9 by July 1. While all elements of the law will be in place as soon as possible, some of the requirements, such as electronic filings and the two-day processing turnaround, may take several months to fully implement. We appreciate your patience.

UCC1 and UCC3 filings will be rejected under certain circumstances, to avoid rejection complete forms accurately

UCC1 and UCC3 filings can be rejected for a number of reasons. Under Revised Article 9, it is the responsibility of filers to ensure their forms are complete and accurate. To ensure your filing is processed properly, please note the following:

Reasons for rejecting UCC1 filings:

- No debtor last name; missing or incomplete address
- No secured party name; missing or incomplete address
- Submitted in an unacceptable medium
- No minimum correct fee
- Account number missing
- Illegible writing
- Debtor is not identified as either an individual or organization
- No assignee name or address if applicable (Assignee should be listed on the UCC1 and the original secured party name should be listed on the UCC1 Addendum.) Debtor organization type, jurisdiction or identification number is missing (If there is no identification number, type "none.")

Reasons for rejecting UCC3 filings:

- Debtor name or address incomplete or missing when processing a name or address change
- Assignee name, address and secured party name are missing when processing an assignment
- Submitted in an unacceptable medium
- No minimum correct fee
- Account number missing
- Illegible writing
- Debtor is not identified as either an individual or organization
- Not continued within six months prior to lapse
- Original file number is missing
- Original filing has lapsed or expired
- Debtor organization type, jurisdiction or identification number is missing (When changing the debtor name, if there is no identification number, type "none.")

